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BUSINESS & LABOR
EXHIBIT NO. 2
DATE 2-8-11
BILL NO. WASHINGTON OFFICE SB260
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February 7, 2011

Montana State Legislature
Senate Business, Labor, & Economic Affairs Committee
PO BOX 200500
Helena, MT 59620-0500

sent via email to:
Pat Murdo
Committee Staff, at
pmurdo@mt.gov

Re: NAMIC's written comments *in opposition to* SB 260, Rating Factors Consumer Disclosure Mandate

**** Written comments are for committee members' consideration at hearing and need not be formally read into the hearing record. ****

Dear Senator Joe Balyeat, Chair, Senator Verdell Jackson, Vice-Chair, and committee members:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written comments for the February 8, 2011, hearing on SB 260, Rating Factors Consumer Disclosure Mandate.

NAMIC is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895. NAMIC has 108 member insurance carriers doing business in the state of Montana, who write approximately 32% of the property/casualty insurance business in the state.

On behalf of NAMIC's members, I respectfully submit the following comments *in opposition to* the proposed legislation:

- 1) SB 260 would require insurers to disclose proprietary rating information and business trade secrets that promote market competition in the insurance marketplace.**

The proposed legislation states that motor vehicle liability insurers "shall provide to a potential customer information disclosing the factors the insurer uses to set rates or premiums. The information must be disclosed prior to entering into any agreement with the potential customer."

NAMIC is concerned that the proposed disclosure requirement is impractical, unduly burdensome, and detrimental to healthy market competition.

Insurance consumers benefit from robust market competition in the insurance marketplace. SB 260 would adversely impact market competition by requiring insurers to disclose their proprietary rating information and business trade secrets, that they have invested a great deal of time and money developing, and which is part of what distinguishes them from their competitors. When insurers are allowed to create and protect proprietary information and trade secrets, there is a wealth of diversity in the market place, which provides consumers with a variety of insurance product options and price points.

- 2) The proposed disclosure requirement is more likely to confuse consumers than assist them in making an informed decision about which insurance product to purchase.**

Although NAMIC appreciates the importance of providing insurance applicants with information necessary to assist consumers in making an informed decision about their insurance needs and to help them evaluate the various insurance products, transparency is only valuable if it is meaningful and understandable. Transparency for the sake of transparency is bad public policy.

SB 260 would require insurers to provide applicants with complex rate setting information, including risk factors considered in the rating process, that far exceeds the comprehension of anyone not intricately involved in actuarial sciences. Consumers do not need nor want "information overload", especially if the information is more likely to confuse than enlighten. Providing applicants with complex rate setting information will not help consumers make informed insurance decision, just like knowing the complex formula for a medication does not help the consumer make pharmaceutical decisions at the drug store.

- 3) SB 260 is unnecessary, because insurers already provide rate setting information to the Commissioner of Insurance, who has regulatory oversight of the insurance industry.**

Insurance companies already have regulatory duties to provide rate setting information to the Division of Insurance, who is empowered to make sure that rates are not inadequate, excessive, or improperly discriminatory. Therefore, consumers already have appropriate regulatory safeguards in place to protect them from unlawful rate setting practices. The only thing the proposed disclosure will accomplish is to make the insurance application process more complicated, time consuming, and confusing.

- 4) The proposed legislation will needlessly increase administrative costs for insurers, which could adversely impact the cost of insurance for consumers.**

The disclosure requirements of SB 260 will create administrative burdens for insurers and agents/brokers, and needlessly increase business operations costs that are insurance premium cost-drivers.

Since there is no evidence or data to support the contention that insurance consumers need or desire detailed information about the risk factors considered and the rate setting formulaic process insurance carriers use to calculate rates, it doesn't make sense to impose a costly administrative burden on insurers that could adversely impact affordability of insurance and/or the professional services provided to consumers.

In closing, NAMIC respectfully requests that the Senate Business, Labor, & Economic Affairs Committee **VOTE NO on SB 260**. Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions about NAMIC's written comments.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian John Rataj".

Christian John Rataj, Esq.
NAMIC Western State Affairs Manager